

Message Text

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ACTION EUR-12

INFO OCT-01 EA-09 ISO-00 SP-02 USIA-15 AID-05 EB-07 NSC-05

CIEP-02 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

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FM AMEMBASSY ROME

TO SECSTATE WASHDC 0770

TREASURY DEPARTMENT WASHDC

INFO AMEMBASSY BERN

AMEMBASSY BONN

USMISSION EC BRUSSELS

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMCONSUL MILAN

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: EFIN, IT

SUBJECT: ITALIAN REPAYMENT OF UK LOAN; IMF STANDBY NEGOTIATIONS

TREASURY FOR SYVRUD; PASS FRB

1. /SUMMARY/. ON OCTOBER 22 AND 23 ITALIAN PRESS REPORTS THAT, BECAUSE OF ITS OWN BALANCE OF PAYMENTS PROBLEMS, UNITED KINGDOM HAS ASKED ITALY TO REPAY \$486 MILLION IN CREDITS GRANTED TO ITALY IN 1974. PRESS ALSO REPORTS THAT GOI OFFICIALS ARE PRESENTLY IN PARIS TO CONDUCT NEGOTIATIONS WITH IMF REPRESENTATIVES CONCERNING NEW STANDBY. /END SUMMARY/.

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2. /UK LOAN/. ITALIAN PRESS REPORTS THAT BANK OF ITALY HAS AGREED TO REPAY BANK OF ENGLAND BY DECEMBER 9 ABOUT \$486 MILLION UNDER 1974 LOAN AGREEMENT. UK LOAN HAD BEEN PART OF ABOUT \$1.9 BILLION IN SHORT-TERM EC CREDITS TO ITALY EARLY IN 1974 WHICH HAD THEN BEEN CONVERTED INTO MEDIUM-TERM ASSISTANCE BY EC LATE THAT YEAR. HOWEVER, AT TIME OF THIS CONVERSION, UK HAD BEEN UNWILLING TO ACCEPT MEDIUM-TERM COMMITMENT, BUT HAD CONTINUED TO PARTICIPATE IN EC ASSISTANCE THROUGH REPEATED ROLLOVERS OF CREDIT EVERY SIX MONTHS. NOW THAT UK HAS LARGE REPAYMENTS TO MAKE ON RECENT \$5.3 BILLION ASSISTANCE, IT NO LONGER FEELS IT POSSIBLE TO CONTINUE ROLLING OVER LOAN. ITALIAN PRESS, WHILE COMMENTING THAT "IT NEVER RAINS, BUT IT POURS" ON ITALY, RECOGNIZES REASONABLENESS OF UK DECISION. IT SPECULATES THAT EC WILL EITHER ARRANGE FURTHER JOINT EC BORROWING IN CAPITAL MARKETS FOR ITALY OR, MORE LIKELY, OTHER EC CENTRAL BANKS WILL PROVIDE ITALY WITH CREDITS TO OFFSET REPAYMENT TO UK.

3. /STATUS OF IMF STANDBY/. ALSO ON OCTOBER 22 AND 23, ITALIAN PRESS REPORTS THAT ITALIAN DELEGATION IS NOW IN PARIS TO CONTINUE NEGOTIATIONS WITH INTERNATIONAL MONETARY FUND REPRESENTATIVES ON NEW STANDBY FOR WHICH TALKS HAD BEGUN EARLIER THIS YEAR. REPORTEDLY, ITALIAN DELEGATION IS HEADED BY DIRECTOR GENERAL OF THE TREASURY FERDINANDO VENTRIGLIA AND DIRECTOR GENERAL OF THE BANK OF ITALY MARIO ERCOLANI. ON OCTOBER 22 "CORRIERE DELLA SERA" SPECULATED THAT, IF NEGOTIATIONS GO WELL, GOI MIGHT BE ABLE TO SIGN (PRESUMABLY LETTER OF INTENT) ON NOVEMBER 3. PRESS SPECULATES THAT AMOUNT OF STANDBY WOULD BE AT LEAST \$530 MILLION ORIGINALLY CONTEMPLATED, BUT PERHAPS AS MUCH AS \$1,000 MILLION. VOLPE

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